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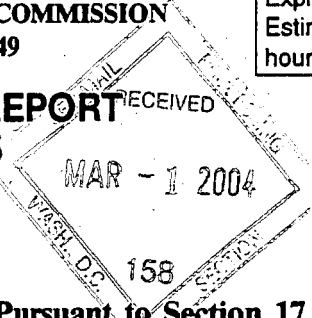
UNITED STATES  
AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Vf 3-12-04

OMB APPROVAL

OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



SEC FILE NUMBER

8-20557

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2003 AND ENDING December 31, 2003  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Walter J. Dowd, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

60 Broad Street, Suite 3501

(No. and Street)

New York

NY

10004

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael D. Berger

212-847-2477

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Yodice and Company, P.C.

(Name — if individual, state last, first, middle name)

1259 Route 46, Bldg. 1

Parsippany, NJ

07054-4996

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 24 2004

FOR OFFICIAL USE ONLY

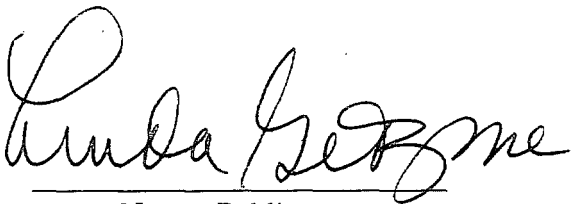
THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

I, **Michael Berger**, swear that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Walter J. Dowd, Inc.**, as of **December 31, 2003**, are true and correct. I further swear that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

No Exceptions

  
Signature



Notary Public  
LINDA GETZONE  
Notary Public, State of New York  
No. 01GE4851342  
Qualified in New York County  
Commission Expires April 17, 2006

Chief Financial Officer  
Title

NAME OF ORGANIZATION: WALTER J. DOWD, INC.

ADDRESS: 60 Broad Street, Suite 3501, New York, NY 10004

DATE: DECEMBER 31, 2003

NEW YORK STOCK EXCHANGE, INC.  
20 BROAD STREET, 20TH FLOOR  
NEW YORK, NY 10005

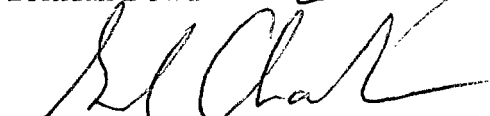
ATTN: Member Firms Department

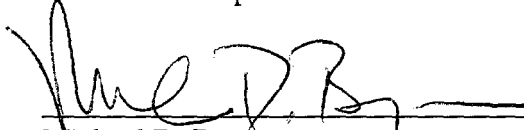
Sir/Madam:

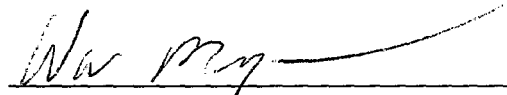
WE, THE UNDERSIGNED members or allied members of Walter J. Dowd, Inc. have caused an audit to be made in accordance with the prescribed regulations and have arranged for the prescribed financial report based upon such audit.

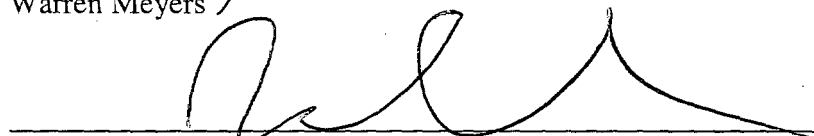
We hereby certify that, to the best of our knowledge and belief, the accompanying financial report prepared as of DECEMBER 31, 2003 represents a true and correct financial statement of our organization and that the report will promptly be made available to those members and allied members whose signatures do not appear below.

  
Brendan Dowd

  
Gordon Charlop

  
Michael D. Berger

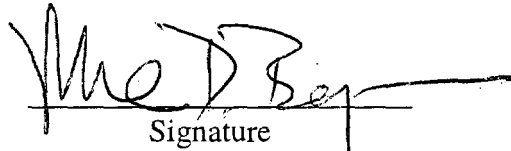
  
Warren Meyers

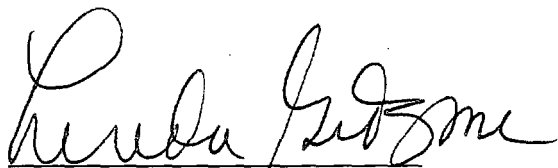
  
John R. Colvin

## OATH OR AFFIRMATION

I, **Michael Berger**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Walter J. Dowd, Inc.**, as of **December 31, 2003**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

  
Signature



Chief Financial Officer  
Title

Notary Public **LINDA GETZONE**  
Notary Public, State of New York  
No. 01GE4851342  
Qualified in New York County  
Commission Expires April 17, 2006

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole proprietor's Capital
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and under the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3)

## INDEX

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
<b>FINANCIAL STATEMENTS:</b>	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholders' Equity	4
Statement of Changes in Liabilities Subordinated to Claims of General Creditors	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11
<b>SUPPLEMENTARY INFORMATION:</b>	
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission (Schedule 1)	12
Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission (Schedule 2)	13
Information Relating to Possessions or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission (Schedule 3)	14
Operating Expenses (Schedule 4)	15
INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION RULE 17A-5	16 - 17

# Yodice and Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1259 Route 46 • Parsippany, New Jersey 07054

(973) 263-8228

FAX: (973) 263-2515

## **INDEPENDENT AUDITORS' REPORT**

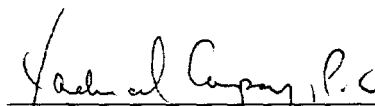
Board of Directors and Stockholders  
Walter J. Dowd, Inc.  
60 Broad Street, Suite 3501  
New York, NY 10004

We have audited the accompanying statement of financial condition of Walter J. Dowd, Inc. as of December 31, 2003, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walter J. Dowd, Inc. at December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1, 2, and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information, as well as the information contained in Schedule 4, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
\_\_\_\_\_  
Yodice and Company, P.C.  
Parsippany, New Jersey

February 10, 2004

**WALTER J. DOWD, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2003**

**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 807,058
Due from Clearing Broker	130,093
Commissions Receivable	759,638
Prepaid Expenses and Other Current Assets	<u>254,653</u>

Total Current Assets \$ 1,951,442

**NON-CURRENT ASSETS:**

Commodity Exchange Membership	10,000
Furniture and Equipment - Net of Accumulated Depreciation of \$58,864	6,264
Security Deposit	<u>24,040</u>

40,304

\$ 1,991,746

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES:**

Cash Overdraft	\$ 417,574
Accounts Payable and Accrued Expenses	329,192
Taxes Payable	1,066
Deferred Taxes Payable	<u>77,200</u>

Total Current Liabilities \$ 825,032

**STOCKHOLDERS' EQUITY:**

Common Stock, No Par Value 200 Shares Authorized, 35 Shares Issued and 25 Shares Outstanding	201,000
Additional Paid-In Capital	514,674
Retained Earnings	826,040
Less: Treasury Stock, 10 Shares at Cost	<u>( 375,000)</u>

1,166,714

\$ 1,991,746

See Accompanying Notes to Financial Statements and Independent Auditors' Reports

**WALTER J. DOWD, INC.**  
**STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2003**

**REVENUE; COMMISSIONS** \$ 9,309,041

**EXPENSES:**

Floor Brokerage Exchange and Clearance Charges	931,294
Other Operating Expenses (Schedule 4)	<u>7,779,053</u>
	<u>8,710,347</u>

**INCOME FROM OPERATIONS** 598,694

**OTHER INCOME:**

World Trade Center Business Recovery Grant	300,000
Interest and Dividends	<u>4,667</u>
	<u>304,667</u>

**INCOME BEFORE INCOME TAXES** 903,361

**INCOME TAXES** 99,397

**NET INCOME** \$ 803,964

See Accompanying Notes to Financial Statements and Independent Auditors' Reports



**WALTER J. DOWD, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2003**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance, January 1, 2003	\$ 201,000	\$ 514,674	\$ 1,094,276	(\$ 375,000)	\$ 1,434,950
Net Income	-	-	803,964	-	803,964
Cash Dividends	<u>-</u>	<u>-</u>	( 1,072,200)	<u>-</u>	( 1,072,200)
Balance, December 31, 2003	<u>\$ 201,000</u>	<u>\$ 514,674</u>	<u>\$ 826,040</u>	<u>(\$ 375,000)</u>	<u>\$ 1,166,714</u>

See Accompanying Notes to Financial Statements and Independent Auditors' Reports

**WALTER J. DOWD, INC.**  
**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED**  
**TO THE CLAIMS OF GENERAL CREDITORS**  
**YEAR ENDED DECEMBER 31, 2003**

**NONE**

**WALTER J. DOWD, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2003**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Income	\$ 803,964
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	4,058
Deferred Income Tax (Credit)	( 15,200)
(Increase) Decrease in:	
Due from Clearing Broker	98,656
Commissions Receivable	77,213
Prepaid Expenses and Other Current Assets	109,005
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	97,428
Taxes Payable	( 8,678)

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 1,166,446

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Dividends Paid	( 1,072,200)
Reduction in Cash Overdrawn	( 83,016)

**NET CASH (USED) IN FINANCING ACTIVITIES** ( 1,155,216)

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 11,230

**CASH AND CASH EQUIVALENTS, Beginning of Year** 795,828

**CASH AND CASH EQUIVALENTS, End of Year** \$ 807,058

**SUPPLEMENTAL CASH FLOWS INFORMATION:**

Cash Paid for Income Taxes	<u>\$ 123,265</u>
Cash Paid for Interest	<u>\$ 0</u>

**WALTER J. DOWD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 1: ORGANIZATION AND OPERATIONS**

The Corporation was formed on December 16, 1975 under the laws of the State of New York for the purpose of operating as a broker-dealer. The Corporation is a member of the New York Stock Exchange, Inc. The Corporation leases seats on the floor of the New York Stock Exchange and owns a commodity membership on the Dublin Commodities Exchange. Its customer base extends throughout the United States, Canada and Europe, with an approximately 75% concentration in the eastern region of the United States.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Furniture and Equipment:**

Furniture and Equipment is stated at cost. Depreciation is provided using the straight line method over a period of 5 years. Expenditures for major renewals and betterments that extend the useful lives of furniture and equipment are capitalized. Expenditures for maintenance and repair are charged to expense as incurred.

**Recognition of Income and Expenses:**

Customers' securities transactions are recorded on a settlement date basis in accordance with the general practices of the industry, with related income and expenses recorded on a trade date basis.

**Income Taxes:**

The Company, with the consent of its shareholders, has elected to have its income taxed under Section 1362 of the Internal Revenue Code, which provides that, in lieu of corporation income taxes, the shareholders are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is presented in these financial statements. This election became effective December 1, 1986. The Company has also elected to be treated as a New York S-Corporation which provides for a lower corporate tax rate and that stockholders are required to report their pro-rata share of S-corporation income on their New York Income Tax returns. The Company has adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes", which requires the use of the liability method of accounting for income taxes. The liability method measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. The resulting deferred tax asset or liability is adjusted to reflect changes in tax laws as they occur.

**Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:**

For the purpose of the statement of cash flows, cash equivalents include time deposits, and all highly liquid debt instruments with original maturities of three months or less.

**WALTER J. DOWD, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2003**

**NOTE 3: CONCENTRATION OF CREDIT RISK**

The Company maintains cash balances in several financial institutions. The checking account is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2003 money market funds, totaling \$807,043 remained uninsured.

**NOTE 4: DUE FROM BROKERS AND DEALERS**

Commissions receivable from brokers and dealers clear primarily through LaBranche Financial Services, Inc., and the National Securities Clearing Corporation. A good faith deposit of \$50,000 is required to be maintained at LaBranche Financial Services, Inc. Some commissions are paid directly to the Corporation by the broker or dealer clearing the transaction.

**NOTE 5: COMMODITY EXCHANGE MEMBERSHIP**

This asset represents the cost of a membership on the Dublin, Ireland Commodities Exchange. The seat is currently inactive.

**NOTE 6: DEFERRED TAXES PAYABLE**

	<b>New York</b>
	<b><u>City</u></b>
Deferred Tax (Liability)	(\$ 89,600)
Deferred Tax Asset	12,400
Valuation Allowance	<u>0</u>
Net Deferred Tax (Liability) Current	<u>(\$ 77,200)</u>

**NOTE 7: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, the Company had net capital, as defined under SEC Rule 15c3-1, of \$736,014, which was \$664,192 in excess of its required net capital of \$71,822 and the Company's net capital ratio was 1.46 to 1.

**WALTER J. DOWD, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2003**

**NOTE 8: CASH BALANCE AND PROFIT SHARING PENSION PLANS**

Effective January 1, 2003, the Company amended its Profit Sharing Plan (originally effective January 1, 1996). The Profit Sharing Plan was restated to become a qualified "Safe Harbor" 401(K) Plan. The plan covers substantially all full time employees who have completed one year of service. Participants are permitted, in accordance with the provisions of Section 401(K) of the Internal Revenue Code, to contribute up to 50% of their earnings into the plan. The Company is required to make annual contributions equal to at least 3% of eligible compensation. The Company may also make additional discretionary contributions as determined by the Board of Directors, not to exceed the maximum allowable deduction permitted under the Internal Revenue Code at the time of the contribution. Company required contributions are immediately 100% vested. Discretionary contributions are 100% vested after six years of service. The Company made total contributions of \$185,361 for the year ended December 31, 2003, consisting of \$61,998 of required contributions and \$123,363 of discretionary contributions.

Effective January 1, 2003, the Company adopted a Cash Balance Defined Benefit Plan. The plan covers substantially all full time employees who have completed one year of service, except for non-shareholder highly compensated employees. A highly compensated employee is one who has earned at least \$90,000 (to be increased in the future) in the prior calendar year. To accrue a benefit, a participant must meet annual service requirements. Benefits accrue in an amount equal to 5% of the eligible participants' compensation, except for shareholders, who are credited with fixed annual amounts based on age. In addition, interest credits accrue each year in amounts equal to the average 30 year Treasury rate during the November preceding the plan year multiplied by the participants' cash account balances as of December 31 of the prior year. The plan has assets in excess of its projected benefit obligation as of December 31, 2003 in the amount of \$4,795 which are included in prepaid expenses. Net benefit cost included in expense for the year ended December 31, 2003 is \$169,568.

The following information is provided in accordance with Statement of Financial Accounting Standards No. 87 (SFAS 87) "Employers' Accounting for Pensions":

**Components of net benefit cost**

Service Cost	\$ 174,363
Interest Cost	0
Actual Return on Plan Assets	( 2,313)
Unrecognized Net Loss	( 2,482)
Net Pension Enhancement and Curtailment/Settlement Expense	0
Net Benefit Cost	<u>\$ 169,568</u>

**Changes in benefit obligation** *(Projected Benefit Obligation as defined by SFAS 87)*

Service Cost	\$ 174,363
Interest Cost	0
Actuarial Loss/(Gain)	0
Benefits Paid	0
Other	0
Benefit Obligation at December 31, 2003	<u>\$ 174,363</u>

**WALTER J. DOWD, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2003**

**NOTE 8 (Continued):**

**Accumulated benefit obligation**

Vested	\$ 168,820
Non-Vested	<u>5,543</u>
Total	<u>\$ 174,363</u>

**Change in plan assets**

Actual Return on Plan Assets	\$ 2,313
Company Contribution	174,363
Benefits Paid	<u>0</u>
Fair Value at December 31, 2003	<u>\$ 176,676</u>

**Assets in excess of benefit obligation**

Balance at December 31, 2003	\$ 2,313
Unrecognized net loss	<u>2,482</u>
Prepaid benefit cost	<u>\$ 4,795</u>

**Assumptions as of December 31, 2003**

Weighted Average Discount Rate = 5.5%
Weighted average Rate of Compensation Increase = 4.0%
Weighted Average Expected Long-Term Rate of Return on Plan Assets = 5.5%
Weighted Average 30 Year Treasury Rate = 5.5%

**NOTE 9: COMMITMENTS**

The Company has entered into separate lease agreements for seats on the New York Stock Exchange. One seat is leased from the estate of a former stockholder at the rate of \$17,300 per month through September 13, 2004. Another seat is leased under an agreement which expires March 4, 2004 at the rate of \$ 22,625 per month. This lease will automatically renew for one year periods at the same lease rate unless otherwise negotiated or terminated within thirty days of the end of that year. Management anticipates that this lease will be renewed. A third seat has been leased for a one year period which expires May 10, 2004 at the rate of \$17,400 per month. A fourth seat has been leased for a one year period, effective August 15, 2003, at the rate of \$17,100 per month. The fifth seat is a physical access lease with the New York Stock Exchange through September 12, 2004.

For the year ended December 31, 2003, the expense for seat leases was \$1,410,019.

**WALTER J. DOWD, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2003**

**NOTE 9 (Continued)**

The Company entered into an agreement to sublease office facilities at 60 Broad Street, New York, NY, Suite 3501 with an effective date of April 2, 2002. The sublease agreement expires on January 31, 2005, and initially requires minimum payments of \$6,010 for rent and \$601 for electric. A security deposit of \$24,040 was also required. Rent shall be increased by 2.5% each anniversary of the commencement date of the agreement. Total rent expense relative to the sublease was \$81,430.

Future minimum lease payments are as follows:

<u>YEARS ENDED DECEMBER 31,</u>	<u>AMOUNT</u>
2004	\$ 82,521
2005 (Balance)	<u>6,314</u>
	<u>\$ 88,835</u>

**NOTE 10: INCOME TAXES**

New York City does not recognize S-Corporation status. Accordingly, a provision has been made for such taxes based upon the applicable statutory rates. New York State taxes have been provided for utilizing the reduced rate applicable to New York State S-Corporations.

The components of the provision for income taxes consists of the following:

	<u>New York State</u>	<u>New York City</u>	<u>Total</u>
Current	\$ 403	\$ 114,194	\$ 114,597
Deferred (Credit)	( 5,800)	( 9,400)	( 15,200)
	<u>(\$ 5,397)</u>	<u>\$ 104,794</u>	<u>\$ 99,397</u>

Deferred taxes are provided for timing differences between the bases of assets and liabilities for financial statements and income tax purposes. The differences arise primarily from recognition of income and expense under the cash basis for tax purposes and different depreciation methods for financial statement and tax purposes.

The Company's provision for income taxes differs from applying the statutory income tax rate to income before income taxes. The primary differences result from deducting certain expenses for financial statement purposes but not for income tax purposes.

**NOTE 11: GRANT**

In December, 2002 the Company applied for a grant to be awarded under the World Trade Center Business Recovery Grant Program. The grant applies to certain companies located in lower Manhattan on September 11, 2001. A \$300,000 grant was awarded in August, 2003.



**WALTER J. DOWD, INC.**

**COMPUTATION OF NET CAPITAL  
UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2003**

**SCHEDULE 1**

**CREDIT FACTORS:**

Stockholders' Equity	\$ 1,166,714
Deferred Taxes Payable Relative to Nonallowable Assets	<u>35,540</u>
Total Credit Factors	<u>1,202,254</u>

**DEBIT FACTORS:**

Commissions Receivable	155,202
Prepaid Expenses and Other Current Assets	254,653
Commodity Exchange Membership	10,000
Furniture and Equipment - Net of Accumulated Depreciation	6,264
Security Deposit	24,040
Haircuts on Securities Positions; Money Market Funds	<u>16,081</u>
Total Debit Factors	<u>466,240</u>

Net Capital 736,014

Less: Minimum net capital requirements

Greater of 6 2/3% of aggregate indebtedness or \$5,000 71,822

Remainder: Capital in Excess of all Requirements \$ 664,192

**CAPITAL RATIO (maximum Allowance 1500%):**

Aggregate Indebtedness	1,077,282	
	-----	= 146%
Divided by Net capital	736,014	

**AGGREGATE INDEBTEDNESS:**

Cash Overdraft	\$ 417,574
Accounts Payable and Accrued Expenses	329,192
Taxes Payable	1,066
Deferred Taxes Payable	77,200
Guaranteed Seat Leases	<u>252,250</u>
	<u>\$ 1,077,282</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION  
(INCLUDED IN PART IIA [UNAUDITED] OF FORM X-17A-5  
AS OF DECEMBER 31, 2003):**

Net Capital, as Reported in Company's Part IIA FOCUS Report	\$ 825,533
Nonallowable Asset Omitted	( 10,000)
Increase in Allowable Credits	16,574
Net Audit Adjustments	( 96,093)
Net Capital Per Above	<u>\$ 736,014</u>

See Accompanying Notes to Financial Statements and Independent Auditors' Reports

**WALTER J. DOWD, INC.**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2003**

**SCHEDULE 2**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemptions appearing in Paragraph (k)(2)(B) of the Rule.

**WALTER J. DOWD, INC.**

**INFORMATION RELATING TO POSSESSIONS OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2003**

**SCHEDULE 3**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemptions appearing in Paragraph (k)(2)(B) of the Rule.

**WALTER J. DOWD, INC.**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2003**

**SCHEDULE 4**

**OPERATING EXPENSES:**

Payroll - Officers	\$ 2,837,800
Payroll - Others	1,261,756
Payroll Taxes	139,133
Seat Leases	1,410,019
Advertising and Promotion	7,250
Charitable Contributions	50,200
Commissions	13,009
Communications	130,984
Computer and Data Processing Services	65,500
Continuing Education and Conferences	8,958
Depreciation	4,058
Dues, Regulatory Fees and Registrations	29,389
Insurance	234,761
Meals and Entertainment	388,330
Miscellaneous	12,351
Cash Balance and Profit Sharing Plans	354,929
Office, Stationery and Postage	31,861
Professional and Consulting Fees	99,569
Rent	81,430
Trade Errors	584,683
Travel	<u>33,083</u>
	<u><u>\$ 7,779,053</u></u>

# Yodice and Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1259 Route 46 • Parsippany, New Jersey 07054

(973) 263-8228

FAX: (973) 263-2515

**INDEPENDENT AUDITORS' REPORT**  
**ON**  
**INTERNAL ACCOUNTING CONTROL**  
**REQUIRED BY THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**RULE 17a -5**

Board of Directors and Stockholders  
Walter J. Dowd, Inc.  
60 Broad Street, Suite 3501  
New York, NY 10004

In planning and performing our audit of the financial statements and supplementary schedules of Walter J. Dowd, Inc. (the Company) for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance

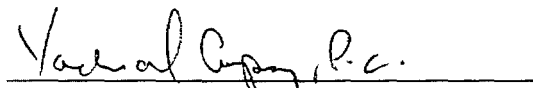
that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended and should not be used by anyone other than these specified parties.

  
Yodice and Company, P.C.  
Parsippany, New Jersey

February 10, 2004